



# IBM 2Q 2019 Earnings

July 17, 2019  
[ibm.com/investor](http://ibm.com/investor)

# Forward Looking Statements and Non-GAAP Information

Certain comments made in this presentation may be characterized as forward looking under the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on the company's current assumptions regarding future business and financial performance. Those statements by their nature address matters that are uncertain to different degrees. Those statements involve a number of factors that could cause actual results to differ materially. Additional information concerning these factors is contained in the Company's filings with the SEC. Copies are available from the SEC, from the IBM web site, or from IBM Investor Relations. Any forward-looking statement made during this presentation speaks only as of the date on which it is made. The company assumes no obligation to update or revise any forward-looking statements. These charts and the associated remarks and comments are integrally related, and are intended to be presented and understood together.

In an effort to provide additional and useful information regarding the company's financial results and other financial information as determined by generally accepted accounting principles (GAAP), the company also discusses, in its earnings press release and earnings presentation materials, certain non-GAAP information including "operating earnings", other "operating" financial measures, including free cash flow, net cash from operating activities excluding Global Financing receivables, and adjustments for currency. The rationale for management's use of this non-GAAP information is included as Exhibit 99.2 to the company's Form 8-K filed with the SEC on July 17, 2019. The reconciliation of non-GAAP information to GAAP is included on the slides entitled "Non-GAAP Supplemental Materials" in this presentation, as well as in Exhibit 99.1 to the company's Form 8-K filed with the SEC on July 17, 2019. For other related information please visit the Company's investor relations web site at:

<http://www.ibm.com/investor/events/earnings/2q19.html>





# Overview

2Q19

**\$19.2B**

Revenue

**\$3.17**

Operating (non-GAAP) EPS

**\$12.7B**

Free Cash Flow  
Last 12 Months

- Revenue growth in key high-value areas
  - Led by Cloud & Cognitive Software and Global Business Services
- Strong margin performance with gross margin expansion of 100 basis points
  - Continued actions to optimize portfolio
- Positioned to lead in the next chapter of cloud
  - Cloud revenue of \$19.5 billion over the last 12 months
- Through 2<sup>nd</sup> quarter, on track to achieve full-year expectations for earnings per share and free cash flow, excluding impact of Red Hat
  - Update expectations in early August to reflect Red Hat acquisition





# Key Financial Metrics

- Gross margin expansion reflects shift to higher value, services productivity and cloud scale efficiencies
- EPS yr/yr growth reflects solid operating leverage, mitigated by operational declines in divested businesses
- Solid free cash flow performance, with normalized free cash flow realization of 118% over the last 12 months

<b>P&amp;L Highlights</b>	<b>2Q19</b>	<b>B/(W) Yr/Yr</b>
Revenue	\$19.2	(1.6%)
Cloud & Cognitive Software	\$5.6	5%
Global Business Services	\$4.2	3%
Global Technology Services	\$6.8	(4%)
Systems	\$1.8	(18%)
Pre-Tax Income - Operating	\$3.2	(6%)
Net Income - Operating	\$2.8	Flat
Earnings Per Share - Operating	\$3.17	3%

<b>P&amp;L Ratios - Operating</b>	<b>2Q19</b>	<b>B/(W) Yr/Yr</b>
Gross Profit Margin	47.4%	1.0 pts
Expense E/R	30.8%	(1.2 pts)
Pre-Tax Income Margin	16.6%	(0.3 pts)
Tax Rate	11.0%	5.0 pts
Net Income Margin	14.8%	0.6 pts
<b>Cash Highlights</b>		<b>LTM</b>
Free Cash Flow (excl. GF Receivables)	\$2.4	\$12.7
Share Repurchase (Gross)	\$0.3	\$3.9
Dividends	\$1.4	\$5.7
Cash Balance @ June 30	\$46.4	



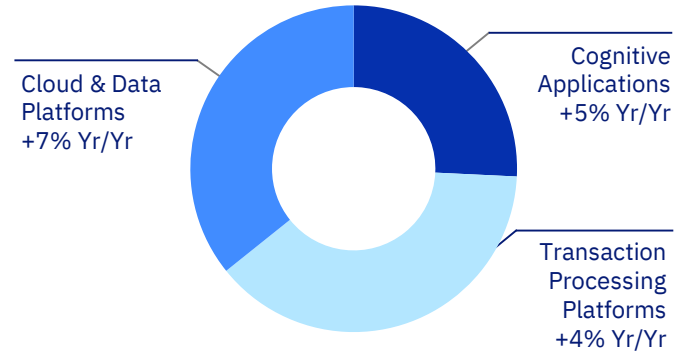


# Cloud & Cognitive Software Segment

- Cloud & Data Platforms reflects broad-based growth across hybrid cloud and data portfolio
- Cognitive Applications led by security and growth across many industry vertical solutions
- Pre-tax income growth and margin expansion, excluding workforce rebalancing charges

Segment Results Overview			Yr/Yr Impact
Segment	2Q19*	B/(W) Yr/Yr*	of 2Q19 Workforce Rebalancing
Revenue (External)	\$5.6	5%	
PTI	\$2.0	(1%)	(6 pts)
PTI Margin	32.0%	(0.3 pts)	(2 pts)
<b>Cloud Revenue</b>			
Cloud	\$0.8	8%	
as-a-Service annual run rate	\$2.1		

## Segment Revenue Elements



Revenue growth rates @CC, \$ in billions

\*PTI includes impact of \$0.13B workforce rebalancing charge in 2Q19



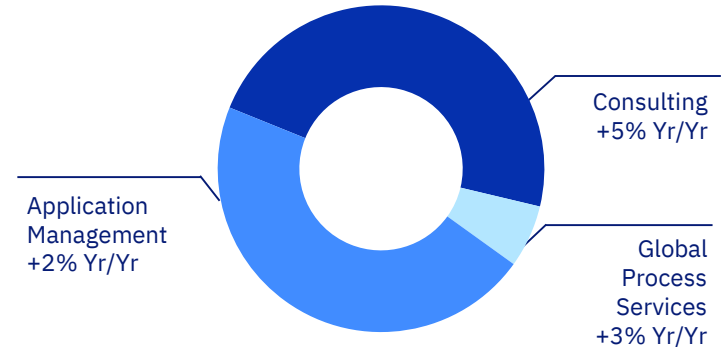


# Global Business Services Segment

- Revenue growth across all business lines driven by digital strategy, next gen enterprise apps and hybrid cloud
- Gross margin yr/yr reflects shift to higher value and currency, offset by higher level of investment

Segment Results Overview			Yr/Yr Impact of 2Q19 Workforce Rebalancing
Segment	2Q19*	B/(W) Yr/Yr*	
Revenue (External)	\$4.2	3%	
Gross Profit Margin (External)	26.0%	(0.1 pts)	
PTI	\$0.3	(19%)	(17 pts)
PTI Margin	7.1%	(1.7 pts)	(2 pts)
Cloud Revenue			
Cloud	\$1.2	17%	
as-a-Service annual run rate	\$1.7		

### Segment Revenue Elements



Revenue growth rates @CC, \$ in billions

\*PTI includes impact of \$0.07B workforce rebalancing charge in 2Q19



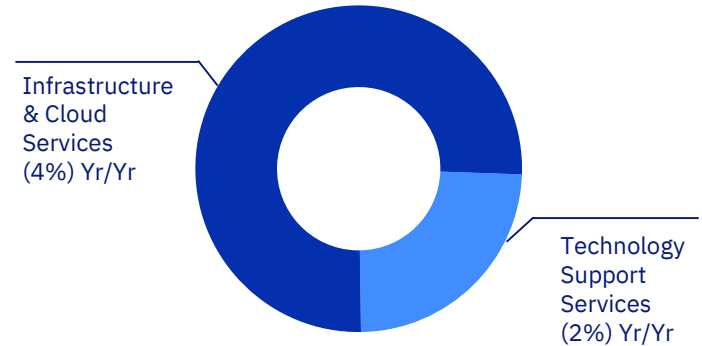


# Global Technology Services Segment

- Revenue performance reflects actions to shift away from low-value services content
- Expanded gross and pre-tax margin, excluding workforce rebalancing charges
- Continued investment to capture hybrid cloud opportunity

Segment Results Overview			Yr/Yr Impact of 2Q19 Workforce Rebalancing
Segment	2Q19*	B/(W) Yr/Yr*	
Revenue (External)	\$6.8	(4%)	
Gross Profit Margin (External)	34.4%	1.2 pts	
PTI	\$0.2	(48%)	(48 pts)
PTI Margin	3.3%	(2.7 pts)	(3 pts)
<b>Cloud Revenue</b>			
Cloud	\$2.0	5%	
as-a-Service annual run rate	\$7.4		

## Segment Revenue Elements



Revenue growth rates @CC, \$ in billions

\*PTI includes impact of \$0.22B workforce rebalancing charge in 2Q19



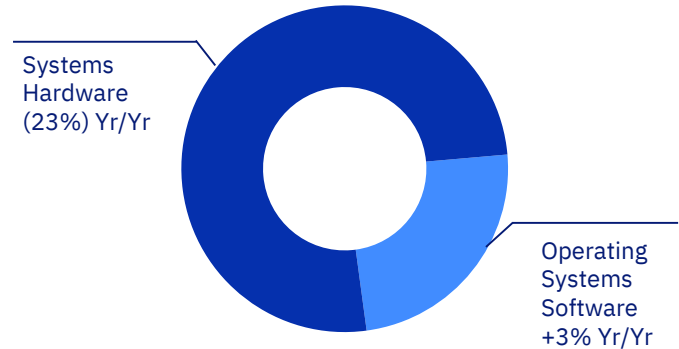


# Systems Segment

- IBM Z and Storage performance reflects product cycle dynamics and challenging yr/yr compare
- Power growth driven by continued strength in POWER9
- Margin performance reflects mix headwind from IBM Z mainframe cycle

<b>Segment Results Overview</b>			<b>Yr/Yr Impact</b>
<b>Segment</b>	<b>2Q19*</b>	<b>B/(W) Yr/Yr*</b>	<b>of 2Q19 Workforce Rebalancing</b>
Revenue (External)	\$1.8	(18%)	
PTI	\$0.1	(82%)	(9 pts)
PTI Margin	3.2%	(11.1 pts)	(2 pts)
<b>Cloud Revenue</b>			
Cloud	\$0.7	(16%)	

## Segment Revenue Elements



Revenue growth rates @CC, \$ in billions

\*PTI includes impact of \$0.03B workforce rebalancing charge in 2Q19







# Cash Flow and Balance Sheet Highlights

- Solid performance in free cash flow
- Free cash flow realization 118%\* over last 12 months
- Cash and debt elevated in advance of Red Hat closing; expect to return to targeted leverage ratios within a couple of years

<b>Cash Flow</b>	<b>2Q19</b>	<b>Yr/Yr</b>	<b>LTM</b>	<b>Balance Sheet</b>	<b>Jun 19</b>	<b>Dec 18</b>	<b>Jun 18</b>
Net Cash from Operations**	\$2.8	(\$0.1)	\$15.6	Cash & Marketable Securities	\$46.4	\$12.2	\$11.9
Free Cash Flow**	\$2.4	\$0.5	\$12.7	Global Financing Debt	\$25.0	\$31.2	\$31.1
<b>Selected Uses of Cash</b>				Core (non-GF) Debt	\$48.1	\$14.6	\$14.4
Net Capital Expenditures	\$0.4		\$2.9	Total Debt	\$73.0	\$45.8	\$45.5
Acquisitions	\$0.0		\$0.1				
Dividends/Share Repurchase	\$1.8		\$9.6				

\$ in billions

\*Adjusted for charges associated with enactment of U.S. tax reform

\*\*Non-GAAP metrics; excludes Global Financing receivables

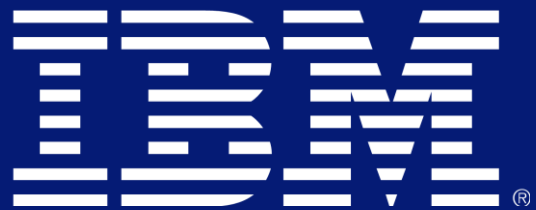




# Summary

- Revenue growth in key high-value areas
- Strong margin performance and operating leverage
- Positioned to lead in the next chapter of cloud
- Full-year expectations to be updated in early August





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# Supplemental Materials

- Currency – Impact on Revenue Growth
- Additional Revenue Information
- Additional Revenue, Gross Profit & Backlog Information
- Expense Summary
- Balance Sheet Summary
- Cash Flow Summary
- Cash Flow (ASC 230)
- Non-GAAP Supplemental Materials



# Currency – Impact on Revenue Growth

Quarterly Averages per US \$	1Q19	Yr/Yr	2Q19	Yr/Yr	7/16/2019	3Q19	4Q19	FY19
					Spot			
Euro	0.88	(8%)	0.89	(6%)	0.89	(4%)	(2%)	(5%)
Pound	0.77	(7%)	0.78	(6%)	0.81	(5%)	(4%)	(5%)
Yen	110	(2%)	110	(1%)	108	3%	4%	1%
Revenue Impact, Future @ 7/16/19 Spot				(2.6 pts)		~(1 pts)	0 pts	~(2)Pts
<i>Prior View @ 4/15/19 Spot</i>				~(2.5 pts)		~(1 pts)	0 pts	~(2pts)
			US\$B	Yr/Yr				
Revenue As Reported			\$19.2	(4.2%)				
Currency Impact			(\$0.5)	(2.6 pts)				
Revenue @ CC				(1.6%)				

Second half revenue impacts @ 7/16/19 spot rates before addition of Red Hat

Supplemental Materials



# Additional Revenue Information

<b>Segment Revenue</b>	<b>2Q19</b>	<b>B/(W) Yr/Yr</b>
<b>Cloud &amp; Cognitive Software</b>	<b>\$5.6</b>	<b>5%</b>
Cognitive Applications	\$1.5	5%
Cloud & Data Platforms	\$2.2	7%
Transaction Processing Platforms	\$2.0	4%
<b>Global Business Services</b>	<b>\$4.2</b>	<b>3%</b>
Consulting	\$2.0	5%
Global Process Services	\$0.3	3%
Application Management	\$1.9	2%
<b>Global Technology Services</b>	<b>\$6.8</b>	<b>(4%)</b>
Infrastructure & Cloud Services	\$5.2	(4%)
Technology Support Services	\$1.7	(2%)
<b>Systems</b>	<b>\$1.8</b>	<b>(18%)</b>
Systems Hardware	\$1.3	(23%)
Operating Systems Software	\$0.4	3%
<b>Global Financing</b>	<b>\$0.4</b>	<b>(9%)</b>

<b>Geography Revenue</b>	<b>2Q19</b>	<b>B/(W) Yr/Yr</b>
Americas	\$8.8	(3%)
Europe/ME/Africa	\$6.1	1%
Asia Pacific	\$4.2	(2%)

<b>Cloud Revenue</b>	<b>Revenue</b>	<b>B/(W) Yr/Yr</b>
Total Cloud - 2Q19	\$4.8	5%
as-a-Service annual run rate	\$11.5	7%
Total Cloud - LTM	\$19.5	8%

Revenue growth rates @CC, \$ in billions

Supplemental Materials



# Additional Revenue, Gross Profit & Backlog Information

<b>Systems Revenue</b>	<b>2Q19</b>	<b>B/(W) Yr/Yr</b>
<b>Systems Hardware Revenue</b>	<b>\$1.3</b>	<b>(23%)</b>
IBM Z		(41%)
Power		3%
Storage		(21%)

<b>Systems Gross Profit</b>	<b>2Q19</b>	<b>B/(W) Yr/Yr</b>
<b>Systems Gross Profit</b>	<b>53.5%</b>	<b>2.9 pts</b>
Systems Hardware	43.6%	0.7 pts
Operating Systems Software	84.3%	1.9 pts

<b>Signings &amp; Backlog*</b>	<b>2Q19</b>	<b>B/(W) Yr/Yr</b>
<b>Signings</b>	<b>\$9.7</b>	<b>(14%)</b>
<b>Backlog</b>	<b>\$1111.2</b>	<b>(4%)</b>
Backlog Yr/Yr @Actual		(5%)

Growth rates @CC, \$ in billions, Services Backlog calculated using June 30 currency spot rates

\*Signings & Backlog includes Global Technology Services, Global Business Services and Security Services; consistent with 2018 reporting



# Expense Summary

Expense	2Q19	B/(W)	Currency	Acq.**	Base***
		Yr/Yr			
SG&A – Operating	\$5.3	(12%)	3 pts	0 pts	(15 pts)
<i>includes 2Q19 Charges*</i>	\$0.6				(11 pts)
RD&E	\$1.4	(3%)	1 pts	0 pts	(4 pts)
IP and Custom Development Income	(\$0.2)	(11%)			
Other (Income)/Expense - Operating	(\$0.8)	\$0.6			
<i>includes divestiture gains</i>	(\$0.6)				
Interest Expense - Operating	\$0.2	(4%)			
<b>Operating Expense &amp; Other Income</b>	<b>\$5.9</b>	<b>Flat</b>	<b>4 pts</b>	<b>0 pts</b>	<b>(4 pts)</b>

\$ in billions

\*2Q19 charges for workforce rebalancing and unfavorable legal ruling

\*\*includes acquisitions made in the last twelve months, net of non-operating acquisition-related charges

\*\*\*represents the percentage change after excluding the impact of currency and acquisitions





# Balance Sheet Summary

	<b>Jun 19</b>	<b>Dec 18</b>	<b>Jun 18</b>
Cash & Marketable Securities	\$46.4	\$12.2	\$11.9
Core (non-GF) Assets*	\$79.0	\$71.7	\$72.5
Global Financing Assets	\$29.3	\$39.5	\$37.2
Total Assets	\$154.7	\$123.4	\$121.6
Other Liabilities	\$63.8	\$60.6	\$57.5
Core (non-GF) Debt*	\$48.1	\$14.6	\$14.4
Global Financing Debt	\$25.0	\$31.2	\$31.1
Total Debt	\$73.0	\$45.8	\$45.5
Total Liabilities	\$136.9	\$106.5	\$103.0
Equity	\$17.8	\$16.9	\$18.6

\$ in billions

\*includes eliminations of inter-company activity

Supplemental Materials



# Cash Flow Summary

	QTD 2Q19	B/(W) Yr/Yr	YTD 2Q19	B/(W) Yr/Yr
Net Cash from Operations	\$2.9	\$0.6	\$7.7	\$0.8
Less: Global Financing Receivables	\$0.1	\$0.7	\$2.6	\$0.8
<b>Net Cash from Operations (excluding GF Receivables)</b>	<b>\$2.8</b>	<b>(\$0.1)</b>	<b>\$5.1</b>	<b>\$0.0</b>
Net Capital Expenditures	(\$0.4)	\$0.6	(\$1.0)	\$0.9
<b>Free Cash Flow (excluding GF Receivables)</b>	<b>\$2.4</b>	<b>\$0.5</b>	<b>\$4.1</b>	<b>\$0.9</b>
Acquisitions	(\$0.0)	\$0.0	(\$0.0)	\$0.1
Divestitures	\$0.9	\$0.9	\$0.9	\$0.9
Dividends	(\$1.4)	\$0.0	(\$2.8)	(\$0.0)
Share Repurchases (Gross)	(\$0.3)	\$0.7	(\$1.2)	\$0.5
Non-GF Debt	\$27.5	\$27.6	\$33.4	\$34.0
Other (includes GF Net A/R & GF Debt)	(\$0.7)	(\$0.1)	(\$0.1)	(\$1.3)
Change in Cash & Marketable Securities	\$28.3	\$29.5	\$34.2	\$35.1



# Cash Flow (ASC 230)

	QTD 2Q19	QTD 2Q18	YTD 2Q19	YTD 2Q18
<b>Net Income from Operations</b>	<b>\$2.5</b>	<b>\$2.4</b>	<b>\$4.1</b>	<b>\$4.1</b>
Depreciation / Amortization of Intangibles	\$1.3	\$1.1	\$2.7	\$2.2
Stock-based Compensation	\$0.1	\$0.1	\$0.2	\$0.2
Working Capital / Other	(\$1.1)	(\$0.8)	(\$2.0)	(\$1.4)
Global Financing A/R	\$0.1	(\$0.6)	\$2.6	\$1.8
<b>Net Cash provided by Operating Activities</b>	<b>\$2.9</b>	<b>\$2.3</b>	<b>\$7.7</b>	<b>\$6.9</b>
Capital Expenditures, net of payments & proceeds	(\$0.4)	(\$1.0)	(\$1.0)	(\$1.9)
Divestitures, net of cash transferred	\$0.9	\$0.0	\$0.9	\$0.0
Acquisitions, net of cash acquired	(\$0.0)	(\$0.1)	(\$0.0)	(\$0.1)
Marketable Securities / Other Investments, net	\$3.8	\$0.4	\$3.5	(\$0.4)
<b>Net Cash provided by/(used in) Investing Activities</b>	<b>\$4.2</b>	<b>(\$0.6)</b>	<b>\$3.3</b>	<b>(\$2.4)</b>
Debt, net of payments & proceeds	\$22.8	(\$0.0)	\$27.1	(\$0.8)
Dividends	(\$1.4)	(\$1.4)	(\$2.8)	(\$2.8)
Common Stock Repurchases	(\$0.3)	(\$1.0)	(\$1.2)	(\$1.8)
Common Stock Transactions - Other	(\$0.1)	(\$0.1)	(\$0.1)	(\$0.1)
<b>Net Cash provided by/(used in) Financing Activities</b>	<b>\$21.0</b>	<b>(\$2.5)</b>	<b>\$22.9</b>	<b>(\$5.4)</b>
Effect of Exchange Rate changes on Cash	\$0.1	(\$0.4)	\$0.0	(\$0.3)
<b>Net Change in Cash &amp; Cash Equivalents</b>	<b>\$28.3</b>	<b>(\$1.3)</b>	<b>\$33.9</b>	<b>(\$1.3)</b>

\$ in billions

Supplemental Materials



# Non-GAAP Supplemental Materials

## Reconciliation of Operating Earnings Per Share

**EPS expectations (GAAP and Operating (Non-GAAP)) will be updated on August 2 to include the impact of the Red Hat acquisition**

<b>2019 Full-Year Expectations</b>	
<u>(as of second quarter 2019, prior to the completion of Red Hat acquisition)</u>	
GAAP Diluted EPS	at least \$12.45
Operating EPS (Non-GAAP)	at least \$13.90
Adjustments	
Acquisition-Related Charges*	\$0.76
Non-Operating Retirement-Related Items	\$0.45
Tax Reform Enactment Impacts	\$0.24

\*Includes acquisitions as of June 30, 2019. This amount includes pre-closing charges such as financing charges, associated with the Red Hat acquisition. It does not include any other amounts for Red Hat or Red Hat related activity.

The above reconciles the Non-GAAP financial information contained in the “2Q19 Prepared Remarks” discussion in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated July 17, 2019 for additional information on the use of these Non-GAAP financial measures.

Supplemental Materials



# Non-GAAP Supplemental Materials

## Reconciliation of Revenue Performance - 2Q 2019

	2Q19 Yr/Yr			2Q19 Yr/Yr	
	GAAP	@CC		GAAP	@CC
<b>Cloud &amp; Cognitive Software</b>	<b>3%</b>	<b>5%</b>	<b>Global Technology Services</b>	<b>(7%)</b>	<b>(4%)</b>
Cognitive Applications	3%	5%	Infrastructure & Cloud Services	(7%)	(4%)
Cloud & Data Platforms	5%	7%	Technology Support Services	(5%)	(2%)
Transaction Processing Platforms	2%	4%	Cloud	2%	5%
Cloud	6%	8%	<b>Systems</b>	<b>(19%)</b>	<b>(18%)</b>
<b>Global Business Services</b>	<b>Flat</b>	<b>3%</b>	Systems Hardware	(24%)	(23%)
Consulting	2%	5%	IBM Z	(42%)	(41%)
Global Process Services	Flat	3%	Power	1%	3%
Application Management	(1%)	2%	Storage	(22%)	(21%)
Cloud	14%	17%	Operating Systems Software	1%	3%
			Cloud	(17%)	(16%)
			<b>Global Financing</b>	<b>(11%)</b>	<b>(9%)</b>

The above reconciles the Non-GAAP financial information contained in the “Key Financial Metrics”, “Cloud & Cognitive Software Segment”, “Global Business Services Segment”, “Global Technology Services Segment”, “Systems Segment”, “Additional Revenue Information”, “Additional Revenue, Gross Profit & Backlog Information”, and “2Q19 Prepared Remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated July 17, 2019 for additional information on the use of these Non-GAAP financial measures.



# Non-GAAP Supplemental Materials

## Reconciliation of Revenue Performance - 2Q 2019 & Last 12 Months

	2Q19 Yr/Yr	
	GAAP	@CC
Americas	(4%)	(3%)
Europe/ME/Africa	(4%)	1%
Asia Pacific	(4%)	(2%)

	2Q19 Yr/Yr		Last 12 Months	
	GAAP	@CC	GAAP	@CC
Total Cloud Revenue	2%	5%	5%	8%
Total as-a-Service Revenue	4%	7%		

The above reconciles the Non-GAAP financial information contained in the “Additional Revenue Information” and “2Q Prepared Remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated July 17, 2019 for additional information on the use of these Non-GAAP financial measures.



# Non-GAAP Supplemental Materials

## Reconciliation of Expense Summary - 2Q 2019

	<b>2Q19</b>		
	<b>GAAP</b>	<b>Non-GAAP Adjustments</b>	<b>Operating (Non-GAAP)</b>
<b>SG&amp;A</b>			
Currency	3 pts	0 pts	3 pts
Acquisitions	0 pts	0 pts	0 pts
Base *	(15 pts)	0 pts	(15 pts)
<b>RD&amp;E</b>			
Currency	1 pts	0 pts	1 pts
Acquisitions	0 pts	0 pts	0 pts
Base *	(4 pts)	0 pts	(4 pts)
<b>Operating Expense &amp; Other Income</b>			
Currency	4 pts	0 pts	4 pts
Acquisitions	0 pts	0 pts	0 pts
Base*	(1 pts)	(3 pts)	(4 pts)

The above reconciles the Non-GAAP financial information contained in the “Expense Summary” discussion in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated July 17, 2019 for additional information on the use of these Non-GAAP financial measures.

\*Represents the percentage change after excluding the impact of currency and acquisitions.



# Non-GAAP Supplemental Materials

## Reconciliation of Free Cash Flow - Last 12 Months

**12 Months  
Ended  
Jun 2019**

<b>Net Cash from Operating Activities per GAAP:</b>	<b>\$16.1</b>
Less: change in Global Financing (GF) Receivables	\$0.5
<b>Net Cash from Operating Activities (Excluding GF Receivables)</b>	<b>\$15.6</b>
Capital Expenditures, Net	(\$2.9)
<b>Free Cash Flow (Excluding GF Receivables)</b>	<b>\$12.7</b>

\$ in billions

The above reconciles the Non-GAAP financial information contained in the “Overview”, “Key Financial Metrics”, “Cash Flow and Balance Sheet Highlights” and “2Q Prepared Remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated July 17, 2019 for additional information on the use of these Non-GAAP financial measures.

Supplemental Materials





# Non-GAAP Supplemental Materials

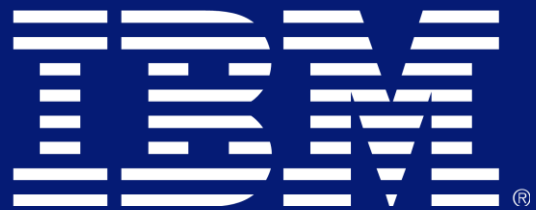
## Reconciliation of Free Cash Flow Realization - Last 12 Months

	<b>LTM</b>	<b>LTM Excluding Tax Reform*</b>
Free Cash Flow Realization	146%	118%

The above reconciles the Non-GAAP financial information contained in the “Key Metrics”, “Cash Flow and Balance Sheet Highlights” and “2Q Prepared Remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated July 17, 2019 for additional information on the use of these Non-GAAP financial measures.

\* Adjusted for the charges associated with enactment of U.S. tax reform





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